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THE FREE TRADE CREED

EXAMINED ^{AND} EXPOSED

By

JOHN WESLEY MARTIN

Author of

'The Ruin of Rural England'



LONDON

SIMPKIN, MARSHALL, HAMILTON,
KENT & CO., LTD.

1903

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THE FREE TRADE CREED

EXAMINED AND EXPOSED

BY THE SAME AUTHOR

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PREFACE

THE cordial reception given to "The Ruin of Rural England," and its circulation among the most influential people in the realm, have induced the author to consider in greater detail the fiscal policy of the country—a policy inadequately dealt with in the former volume. It is particularly gratifying to observe that the questions raised by him two years ago have, in this short time, become questions of absorbing vital interest among all classes of the community, and must of necessity largely influence elections to the next Parliament.

Preface

The object of this little book is to enlighten the middle classes and the more intelligent working-men on the actual working of our fiscal policy, wrongly denominated "Free Trade," and to show that it is driving capital out of our country, impoverishing our industries, overcrowding our towns with a puny race, making us more and more dependent on oversea countries for our food-supplies, destroying the spirit of enterprise among our own people, and causing idleness, fraud, and pauperism to flourish.

There are members of the British Parliament whose individual foreign and colonial estates are larger in area than the West Riding of York, and it is to their interest—and the interest of the pluto-

Preface

crats of all nations who act with them—to develop their foreign and colonial wealth. This they are doing and will do without much consideration for the interests of the people who live on these islands; it is for the people to inform themselves of the true inner working of this vicious system, and safeguard the great inheritance handed down to them by their forefathers, assured that a world-wide Empire can only be maintained by a healthy, virile race, and health and virility can only be developed by the active employment of the people at home, in producing for themselves and supplying their own necessities from their own soil and factories.

Strenuous life is impossible in a country dominated by a plutocracy

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more potent in the national counsels than the whole of the electorate—a country that by its fiscal and railway arrangements encourages capital and enterprise to emigrate, and leaves the bulk of its inhabitants to stagnate in idleness and pauperism.

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THE abolition of the Corn Laws in 1846 by Sir Robert Peel's Government, and the adoption of a system of free imports as the corner-stone of our fiscal policy, was followed by a period of prosperity in agriculture, commerce, and manufactures unexampled in the history of the British nation.

That political economists should ascribe the welcome change from stagnation and poverty (which had characterized the earlier years of the nineteenth century) to activity and affluence to the

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new fiscal departure inaugurated by one of England's greatest statesmen was but natural. It was enough that national industries were overflowing with prosperity on every hand, and that the people were employed, with wages rising and wealth increasing, without inquiring too closely into the cause. The manufacturer who found his orders pouring in faster than he could execute them did not sit down to consider on what abstract theory he could explain why the business was so much more prosperous than it was in his father's time, nor did the workman, when he left the mill at noon on Saturdays with a good weekly wage well earned, spend his week-end half-holiday in discussing with his fellows the political, economical, or other causes which had given him constant employment and better wages, in place of the

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casual work and miserable pittance on which his father lived and brought him up. And so, as wealth increased and the necessity for thinking decreased, the conclusions of the political economists were universally accepted, and no account was taken of the wonderful impetus given to industrial development by the building of railways, the establishment of the telegraphic and telephonic systems, improved methods of production consequent upon the adoption of numerous scientific inventions, and the application of steam to shipping, annihilating time and space, cheapening the cost of transit, and bringing the more distant parts of the earth nearer and yet nearer to the world's great commercial centre and the world's greatest markets in the British Isles.

As time passed, a halo of sentiment

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gathered around the magic words "Free Trade," and although they have lost their original meaning, and the free trader of to-day aims at something very different to that which his ancestor aimed at fifty years ago, the words are still words to conjure with among the modern followers of the cult, who never gave five minutes in their lives to the consideration of the principles on which is based the policy that the words are supposed to represent. An amusing example of this state of things was given by the many leaders of the Liberal party immediately after Mr. Chamberlain's speeches at Birmingham and in the House of Commons during the late session. Sir Edward Grey was the first to rush on to the platform and give himself away; Sir H. Campbell-Bannerman went to Perth, and drew a picture of a working population,

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suffering from “want of work and low wages, and sunk in misery, starvation, and despair,” under Protection, and contrasted that state of things with the prosperity the country now enjoys under Free Trade, winding up with the damning admission that at the present time “30 per cent. of our population are underfed and on the verge of hunger”; Lord Rosebery hastened to scramble on to the fence: he stepped down on one side at Chesterfield, and on the other at Bishop’s Stortford, and has since been lost among the bushes. If these right honourable gentlemen had one and all declared that they had accepted their economic creed from their fathers, and had never given five minutes’ consideration to the subject in their lives, they would have spoken the truth.

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Very gradually sentimental theory has crystallized into superstitious dogma, which it will take a large amount of logic and common-sense to uproot. Dogmatic teaching is proverbially difficult to nullify, because its adherents are more or less blind to the light of reason ; the fallacies contained in the Free Trade creed are no exception to the general rule, and its disciples appear to cling to them the more tenaciously because they are incapable of logical defence.

The creed consists of seven articles, and may be briefly stated as follows :

1. Free Trade is the Magna Charta of the poor man, and secures to him a cheap loaf.

2. Protection is the rich man's policy, and fills the pockets of the rich, while it grinds the faces of the poor.

3. Free Trade develops the resources

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of a country and raises wages by providing constant employment.

4. Imports from other countries are paid for by exports from our own.

5. Import duties are always paid by the consumer.

6. The test of national prosperity is to add together the value of your imports and exports, and ascertain the total volume of your trade.

7. If your imports are increasing it is a proof that you are growing richer.

In these seven articles we have the whole Free Trade doctrine stated, according to the inspired oracles of the Cobden Club, and by its truth or untruth the system must stand or fall.

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I

Is it True that Free Trade is the
Magna Charta of the Poor Man, and
secures to him a Cheap Loaf?

THE contention, of course, is that the abolition of the Corn Laws by Sir Robert Peel's Government was made directly in the interests of the working-man, and the object of the statesmen of that time was to give the poorest person the opportunity of buying bread at the lowest possible price. An examination of the page of history reveals the fact that the statesmen of that era deserved no credit for such a laudable piece of disinterestedness.

The abolition of the Corn Laws and establishment of Free Trade was not the result of deep thinking and careful judg-

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ment on the part of the electorate, but rather the effect of clever manœuvring on the part of Villiers, Cobden, Bright, and the Anti-Corn Law League. The League was established at Manchester in 1838. Its nominal leader in Parliament was Charles Villiers, but its real leaders and spokesmen in the country were Richard Cobden, a partner in a Manchester printed cotton factory, and John Bright, a manufacturer of carpets at Rochdale. Until the passing of Lord Grey's Reform Bill, the great manufacturing towns of the North had no representation in Parliament.*

“ They seemed destined, after that event, to make up for their long exclusion from representative influence by taking the government of the country into their own hands. . . . At that

* McCarthy's “ History of Our Own Times,”
p. 68.

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time it was town against country—Manchester representing the town, and the whole Conservative body representing the country.”

The view of these manufacturers was that the Corn Laws existed for the benefit of landowners and farmers, and that a cheap loaf would enable them to obtain cheap labour, and that cheap labour would enable them to command the markets of the world for their manufactured goods; moreover, they thought other countries would follow our example and open their ports free to the commerce of the world, if England would only lead the way. For years the Anti-Corn Law League made little progress in Parliament, although the Free Trade party was growing more powerful in the country. At length an event, over which political parties had no control, intervened to assist the Anti-

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Corn Law agitation.* Mr. Bright, many years after, when pronouncing the eulogy of his dead friend Cobden, described what happened in a fine sentence: "Famine itself, against which we had warred, joined us." In the autumn of 1845 the potato rot began in Ireland. And as the people of the south and west of that country lived almost entirely on potatoes, there was a prospect of serious famine, and a great agitation was begun in Ireland for the opening of the ports.

On this crisis, Lord John Russell, the leader of the Whigs, announced his conversion to the principles of the Anti-Corn Law League; this announcement spurred Peel on to more vigorous action, although himself but half converted.

* McCarthy's "History of Our Own Times," p. 74.

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The repeal of the Corn Laws and establishment of Free Trade as the fiscal policy of the country was a piece of ill-considered legislation pithily described in one sentence by Mr. Justin McCarthy in his "History of Our Own Times":*

"Neither Whigs nor Tories appear to have formed a judgment because of facts or principles, but only in deference to the political necessities of the hour. The potato rot inspired the writing of Lord John Russell's letter, and Lord John Russell's letter inspired Sir Robert Peel with the conviction that something must be done."

It is therefore evident that the poor man's interests did not enter into the minds of the pioneers of the Free Trade movement; at that time even skilled artisans had no votes, and men without votes have always received

* McCarthy's "History of Our Own Times," p. 75.

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scant consideration from the House of Commons.

Rightly or wrongly, the manufacturing and commercial classes, while they had no direct representation in Parliament, believed themselves unfairly taxed by the then all-powerful landed interests, who were jealous of their increasing wealth and growing importance; they believed that the closing of the ports artificially raised the price of bread to their workpeople, and the high price of bread compelled them to pay higher wages than a cheaper loaf would demand, and the higher wage was a tax on their industry for the benefit of the landlord.

Hence the abolition of the Corn Laws represented a victory of the town party over the country party, the manufacturer over the landlord, in which the working-man figured only as a pawn upon the

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chess-board. The manufacturer naturally desired a cheap loaf for his workman, in order that he might reduce the cost of production by paying a lower wage; but it was for his own benefit, not for that of his employés.

But, it will be urged, a policy that is good for the masters must be good for the men, because the increase of prosperity must have a beneficial effect on both classes. That is so, as far as any particular trade under review is concerned; but what is good for some particular craft, if it has the effect of displacing a larger number of workmen in some more important industry, may be a bad thing for the country as a whole. It is natural for the commercial man to look at public policy from the narrow point of view of the interests of his own particular calling, for the land-

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owner or farmer from another and quite opposite point of view, for the banker, whose business is a cosmopolitan one, to urge that if capital is more productive in one country than it is in another, no stumbling-block should be placed in the way of its emigration; but it is the business of the statesman to hold the balances even between conflicting interests, and to insist on the policy which will best insure the prosperity of the Empire as a whole, and confer the greatest good upon the greatest number of its citizens.

Representative working - men will naturally reply, We do not care what motives actuated opposing representatives of different forms of wealth, but did the abolition of tariffs give the workman a cheap loaf in place of a dear one? The answer to this question is that

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for thirty years—1846-1875—the average price of wheat was 2s. 2d. per quarter higher than that of the three years preceding the repeal of the Corn Laws;* but since 1875 the price of wheat has been lower than it could profitably be produced at home, and the loaf has been cheaper than it was before 1875. But the advantage has not been so great as the decreased value of wheat would lead one to expect, for whereas in 1844 5d. worth of wheat was sold in a quartern loaf for $7\frac{1}{2}$ d., in 1900 $2\frac{3}{4}$ d. worth of wheat was sold in the quartern loaf for $6\frac{1}{2}$ d., or by co-operative societies for $5\frac{1}{4}$ d.†

In 1844 the baker was content to manufacture £20 worth of wheat into bread and sell it for £30; but in 1900

* “Our Empire under Protection and Free Trade,” Sir Guilford L. Molesworth, p. 67.

† *Ibid.*, p. 77.

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£11 worth of wheat was made into bread and sold for £26, and even co-operative societies could do no better in the latter year than supply £11 worth of wheat made into bread to their shareholders for £21. These are startling figures, representing solid facts which cannot be disproved, and they show that, as compared with the prices current in 1844, the English farmer has since 1875 lost nine-twentieths of the value of his wheat, in order that the working-man might save two-fifteenths in the cost of his bread, representing exactly a $\frac{1}{2}$ d. in the quartern loaf. This is not the fault of the greedy baker, either; the price at which bread is sold must bear some relation to the cost of production, so as to leave a fair profit to the manufacturer, and since 1844 both Imperial and local taxation have largely increased,

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and as all our taxation is paid by home industries, it follows that the cost of turning wheat into bread is much greater than it was in 1844. Further, it is doubtful whether the $\frac{1}{2}$ d. saved in the cost of the quartern loaf has been any advantage to the workman at all, for he has probably lost all the money he has saved on his bread in lower wages, through the displacement of labour in the ruin of home industries. But if the workman has benefited to this small extent, at what cost to the nation has this doubtful advantage been secured to him? Our greatest industry—agriculture—has been ruined; the capital invested in that industry driven out of the country into other lands; the finest muscular race of men in the world driven from their breeding-grounds into the slums of large cities, where they lose all the

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best qualities of the race; the nation made dependent upon other lands for five-sixths of its food-supplies; taxation largely increased by the necessity of keeping up an enormous fleet, avowedly for the purpose of keeping open the waterways for our food-supplies in time of war; and while, according to the most ascetic worshippers at the Free Trade shrine,* “12,000,000 of our poorer people are always on the verge of hunger,” our lands, the most fertile in the world, are growing grass instead of wheat, and we have imported from other lands since 1870 food to the value of £2,400,000,000!†

This doubtful panacea for poverty has only been secured to the workman as

* Sir H. Campbell-Bannerman at Perth, June, 1903.

† “Ruin of Rural England,” p. 115.

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long as the civilized world remains at peace. During the Crimean War, when we had complete command of the seas, wheat rose to 75s. per quarter, although we were under the necessity of importing very little. It is safe to say that if war suddenly broke out in Europe in which Britain was compelled to take part, wheat would be £10 per quarter, and the quartern loaf 2s. 6d. within a month. Between December and the next harvest every year we have only one month's supply of bread on this island without importation, and London never has more than sufficient to last fourteen days in stock. The working-man would speedily lose in a few weeks more money on his bread bill in war-time than he has saved by Free Trade during thirty years of peace, and the difficulties of any government

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in carrying on a war would be enormously increased ; in fact, a coalition of European Powers against us would, under present conditions, speedily give the *coup de grâce* to a nation that has been for many years preparing itself for destruction.

It is clear, then, that the extraordinary fiscal expedient miscalled "Free Trade" is no workman's charter, securing to him a cheap, untaxed loaf, the loaf being only cheap to him in time of peace, because it is not the production of his own soil, with the certainty that it will be correspondingly dear in time of war for the same reason, and he will not be able to get hold of it. The workman has a deep interest in this question, because in war-time, when bread is dear, it will be he who will starve, not the capitalist who has bluffed

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him in time of peace. His bread is only untaxed now because he has earned no wages in its production ; if he attempts to produce it at home it is heavily taxed. Land is the machine which produces food, and in this country it is more heavily taxed than in any other country in the world. The governments of the great corn-producing lands that supply our markets with cheap food have taken great care not to tax their machine ; if you tax the machine you tax the product through the machine. A tax on printing presses would soon be described as a tax on newspapers ; and rightly so. Why ? Because the sale of newspapers would have to earn the money to pay the tax on the machine ; and the sale of the produce of the land has to earn the money to pay tithes, income tax under three schedules, a special land tax,

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various local rates for the relief of the poor, maintenance of schools, police, highways, etc., as well as rent on the capital value of the landlord's interest in the soil; and for that reason the cost of production is the only item on which the farmer can save expense, and the wages of the workmen suffer accordingly, until agricultural labour is the worst paid of any skilled labour in the country, with no possibility of its ever being better paid under our present fiscal system. In America the agricultural labourer can and does earn twice as much money for the same work as he can in England. Why? Because his food-producing machine is untaxed, while in England that machine has to bear the chief cost of government, local and Imperial.

Our fiscal policy encourages capital to go abroad, and starves the home-

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land. And capital has gone abroad. No capitalist now thinks of starting a new industry in England ; he reaches English markets from a vantage-ground where British laws operate in his favour, not from whence they would hinder and destroy him. The following story aptly hits off the situation created by legislation for the benefit of capital invested in foreign countries, and the pursuit of a policy antagonistic to the interests of the masses of the people at home :

One summer evening John Bull sat in his garden enjoying an after-dinner smoke, and fell into a reverie as he watched the curling rings of smoke rise into the warm atmosphere, reflecting with self-complacency on his great augmentation of capital, and the prosperity attending his many commercial enterprises. Very gradually he fell into

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a peaceful slumber, his right hand carrying from his mouth the half-smoked scented Havana, his right elbow resting on the arm of his chair, and his massive head falling gracefully upon his capacious chest. In this attitude John dreamed a nasty dream. There appeared before him a great crowd of pale-faced, puny, feeble folk, shabbily clad, and with a look of hunger in their faces. John was surprised at the size of the crowd, and, lifting his eyes, tried to take in its full extent, but the more he lifted up his eyes the larger the crowd seemed to grow. Seizing the nearest man with his left hand, he questioned him.

“Starveling,” said he, “what is the meaning of this crowd?”

“They are the descendants of the agricultural labourers, sir. They are hungry, and want food and work.”

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“Where do they come from?”

“From the slums of London, Birmingham, Liverpool, and Glasgow, sir.”

“But bread is cheap; what more do they want?”

“They have no money to buy it with, sir. They say they want you to grow the wheat at home, and pay them wages for growing it.”

“They will have to pay more for it if I do. *Home-grown wheat is heavily taxed.*”

“That will be better than a cheap loaf and no wages, sir.”

“But I have put my money into foreign lands, mines, and railways, and have arranged that you should have a loaf free from taxation. I have also given you Free Education, and am about to add Old Age Pensions to the manifold blessings which you enjoy. Besides,

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there is always State provision for the old, the sick, and the workless. No man need starve in my country !”

“ We are not ungrateful, sir. The blessings you describe are enough to *bust* up the happiness of a one-room home. Just consider them for a moment. An untaxed loaf, and no money to buy it with ; Free Education, and nothing for the children to do when they leave school but join a regiment of hooligans ; and free starvation until we are sixty-five !”

“ But I can’t let you grow wheat at home ; I want the land for sport and the entertainment of my foreign friends who have borrowed my money and pay handsomely for the use of it. You must manufacture something for export, or, better still, compete with the foreigner for the supply of the home market—

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and some of you might take in each other's washing, or emigrate !”

“ But there is only a dwindling export trade, sir ; your foreign friends tax us so heavily, if we send *them* anything. And as to the home market, how can we compete when we are ground down with taxation, and they pay nothing towards revenue, either in our country or their own, and your railways carry their goods at preferential rates ? Your foreign friends now send us knives and forks to eat their foreign meat with, cups and saucers to drink their tea out of, and foreign ovens to bake their foreign bread in. But if you would tax the foreign loaf and free the home-grown one, and run the railways yourself, sir, you might invest a great deal of your capital at home.”

At this moment a stentorian voice

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was heard on the outskirts of the crowd :
“ Wake up, John ! You’ve gone to sleep,
and must wake up ! ”

“ Who dares to address me in imperative language ? ” said John Bull.

The crowd parted, and a gentleman advanced in Admiral’s uniform. It was the Prince of Wales.

John was almost startled out of his slumbers ; he rubbed his eyes, and some of the crowd said he was going to wake up, but the spirit was *unwilling* and the flesh was *weak*, and so he slept on until another well-known figure came upon the scene. Again the crowd divided, and a gentleman, distinguished by an orchid and an eye-glass, advanced close to the sleeping giant, and in quiet but firm language said : “ Wake up, John, or I’ll punch your head ! ” That roused him ; he dropped his cigar, sprang out

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of his chair, his eyes struck fire, his hair stood on end, and before him stood a real crowd of starvelings, and facing him was the Birmingham Light Weight, and John knew that he meant business. He at once declared that he had never been to sleep, but had always been wide-awake, and was now, as always, ready to do anything for his people: he would make inquiry.

II

Is it True that Protection is the Rich
Man's Policy, and Fills the Pockets
of the Rich while it Grinds the
Faces of the Poor?

WHILE considering this article of the creed, it is necessary that we have a clear conception of what is meant by Protection. Protection is the name

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given to that distinctive system for the collection of revenue which aims at providing the State with necessary funds, and at the same time protects the industries of the country from destruction by unfair foreign competition. Abused, it builds a high tariff wall round the country, and taxes all imports indiscriminately for revenue purposes. In times past much damage has been done to native industries, dependent on raw material that could not be produced in the country needing it ; but since the civilized nations began to compete one with the other for the world's commerce, the necessity of eliminating those provisions of their fiscal system which did not protect but hindered home industries has been recognised, and in most countries a distinction made between that which the country could

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produce by employing its own labour, and what, from climatic or other causes, it was compelled to import. The rule is to admit goods of the latter class duty free, because whatever duty is imposed must raise the price to the consumer, as the whole of the supply must come through the ports ; but on the former class of goods a duty has been imposed, with the view of providing revenue and at the same time protecting industries at home. It has been found by experience that the first effect of imposing a duty on an article *that can be produced at home* is to stimulate home production, and not to raise the price to the consumer, unless the article was being sold at a loss to the manufacturer before the duty was imposed, in which event, if the tariff was high enough, the price to the consumer would immediately advance to

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such a figure as would make home production profitable. After that the price would not again advance, *on account of the duty*, until the capacity of the country for producing that particular article had been stimulated to the utmost. If the demand continued to grow after that limit was reached, the price would again rise, because the market would have to supply itself from increased imports. On the other hand, if home production can keep pace with consumption there is no rise in price to the consumer, because the home-made goods pay no duty.

A striking proof of the correctness of this statement is found in the return relating to the effect of the French Customs tariff of 1892, recently received from the British Ambassador in Paris. Previous to the establishment of this

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tariff, the duty on beef and mutton was 4s. 10d. per cwt., and on wheat 2s. 5d. per cwt. By the tariff of 1892 the duty on fresh beef was raised to 10s. 1d. per cwt., and on fresh mutton to 12s. 11d. per cwt. The duty on wheat was unchanged until 1894, when it also was increased to 2s. 10d. per cwt.

According to figures supplied by the French Ministry of Agriculture, the average price of meat and bread before and after the tariff came into force was as follows :

Year.	Average Price of Beef per lb.	Average Price of Mutton per lb.	Average Price of Bread per lb.
1891 ...	d. 7	d. $8\frac{1}{4}$	d. $1\frac{3}{4}$
1892 ...	$6\frac{3}{4}$	8	$1\frac{1}{2}$
1893 ...	$6\frac{1}{2}$	$7\frac{1}{2}$	$1\frac{1}{2}$
1896 ...	$7\frac{1}{4}$	$8\frac{1}{4}$	$1\frac{1}{2}$
1899 ...	$6\frac{3}{4}$	8	$1\frac{1}{2}$
1901 ...	$6\frac{1}{2}$	8	$1\frac{1}{2}$

It is therefore proved by unimpeachable

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authority that if home production can keep pace with consumption, very high tariffs do not raise the price to the consumer ; and it follows that if the price is not raised to the consumer, the foreign manufacturer who comes into the market with his goods must himself pay the import levied at the port of entry. A notable example of this effect is found in the history of the steel trade between Britain and the United States. Under low tariffs manufacturers of steel rails in the States were unable to compete with the British exporter, who always dumped down upon their market steel at low prices when they tried to manufacture for themselves, and made the States pay very high prices when they had killed the competition.* In 1867 the tariff

* "Our Empire under Protection and Free Trade," Sir Guilford L. Molesworth, p. 92.

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was raised in the States from \$5 to \$28 per ton, the price standing at \$150 per ton ; in five years values fell to \$112 per ton, and in nineteen years to \$27 per ton, one dollar less than the duty ; all was made at home, and the British competitor was completely knocked out. It is easy to see what happened during those nineteen years during which manufacturers of steel rails in the States were establishing their industry : the British makers *paid the duty*, and competed for the trade, until all profits disappeared and they were beaten. By this tariff Britain lost her best market, and her iron industry received a stunning blow, from which it has never recovered, without, however, opening the eyes of the British Government to the necessity of reforming its own fiscal system. Indolence, indifference, and incapacity, have

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been the distinguishing traits of both the Government and Parliamentary Opposition for the last twenty years; when it has been shown to them that Protectionist countries were prospering, while our own industries were stationary or rapidly declining, the answer has always been: Protection may be necessary for the colonies and young countries that have no other means of raising a revenue, but they can never under that system control the markets of the world.

Common-sense would suggest that a political policy and fiscal system which would enable a young country possessing only undeveloped assets, and with no capital to develop them, to manufacture for its own markets and develop its resources would be the policy and system to maintain its industries when they were developed. So the colonies

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evidently think, and the United States thinks so, and old countries like Germany and France think so, and every other State in the world except Great Britain. We know that one traditional Briton is worth three Frenchmen: is British sagacity superior to the concrete wisdom of all the rest of the world?

A Protective fiscal system, then, is one which taxes foreign products that compete with home industries, securing the home market for home products, making it profitable for capitalists to invest their money at home instead of putting it into foreign enterprises. Such a policy may fill the pockets of the rich if the staple industries of the country are prosperous; but it is not only a good thing for the rich, but for the poor also, because the prosperity of any industry induces competition in that industry.

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Men are always ready to put money into a good thing, and abundance of employment causes a scarcity of labour ; and scarcity of labour compels a higher wage for competent men ; and the higher wage, if properly expended, ministers to the material comfort of the workers. The contention that such a system fosters the development of trusts and crushes the poor man is to beg the whole question ; trusts are not made through the expansion of legitimate business, but by company promoters and market gambling. The company promoter is the convenient medium through and by whom rotten businesses and wild-cat schemes of many descriptions are foisted upon the investing public, and the market gambler is his right-hand man. These are the vermin of the business world who flourish in

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all great financial centres, whether there are tariffs or no tariffs. We need not pursue them further here; they are outside the scope of this modest volume, and our only business with them is to point out that the evil which they do does not lie at the door of either Protection or Free Trade.

But while the freedom from commercial restrictions in Protectionist countries like the United States has made many trusts possible, no country in the world is bound hand and foot by a single trust as England is under Free Trade.

The whole commercial system of the country is dominated by the railway companies, who, through interagreements, act as a single trust—according to foreign traffic, preferential rates, and preferential treatment. This trust has

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established a double set of rates for all kinds of traffic. The lower rate is the owner's risk rate, the higher the company's risk rate; under the former the companies always refuse to pay compensation for damage in transit, even if the goods are plundered, delayed, or destroyed. The superior Courts have consistently decided against the companies, but of late years County Courts have often adopted different views of the law, holding that "owner's risk" means owner's and not company's risk, although that is the rate that is always compared with the foreign rate, when comparison is made for the purpose of proving non-preferential treatment.

Of late years the companies have manifested an increasing determination to resist claims for compensation for

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damage under the owner's risk rate; they know that they are acting illegally and practising a fraud. But railway companies are strong enough to laugh at Courts and Parliaments, and unless a struggling farmer, with £200 a year in good seasons, reduced to nothing in bad ones, has the courage to commence a law suit against a railway company, whose annual income amounts to millions, and which may prove interminable, there is no remedy. This subject has been so thoroughly dealt with in the chapter entitled "**Government by Railway Company**" in "**The Ruin of Rural England**" that we need not here pursue the subject further. Suffice it to say that a business man at the Board of Trade might have curbed the fraudulent practices and illegal and extortionist policy of the companies; but since 1880

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no President of the Board of Trade has been worth his salt, much less the very handsome salary paid him for consenting to become the figure-head of a great State department, as useless as a wax-work bust.

III

Is it True that Free Trade develops
the Resources of a Country, and
raises Wages by Providing Constant
Employment for the Workpeople?

As it is needful that we should understand the exact meaning of the word "Protection" when describing a fiscal system, so it is necessary that we should understand what is meant by the words "Free Trade" when used in the same connection. The Free Trade doctrines taught by Cobden and Bright included

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a great deal more than the narrowed and cramped construction that modern economists have put upon them. What Cobden meant by Free Trade was free commercial intercourse between nations unfettered by any restrictions or tariffs, and he believed that, if England would lead the way, all the ports in the world in a very few years would be open to unfettered commerce. England led the way, but the ideal of Cobden was unattainable, because other nations would not adopt his principles. When England lowered her tariff walls, or took them down altogether, they found it profitable to raise theirs step by step until they are unscalable.

If the ports of all nations could be made free for international commerce, and all Customs Houses abolished, that would be a genuine system of Free

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Trade after Cobden's own heart, and it would be the best commercial arrangement that could be made for all nations, because then all consumable products would in all countries be supplied to the consumer at a price fixed by natural means.

But as the British Government were unable to give Britain and the world a genuine system of Free Trade, they evolved for themselves, *not out of chaos*, but *in chaos*, where it has ever since remained, a policy of hugger-mugger, and called it by that name. So that Free Trade does not mean *free* trade, but something else. An analysis of the way it works makes it very difficult to invent a word that will describe it. It does everything that Free Trade ought not to do, and it leaves undone everything that genuine Free Trade would do.

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An examination of its effect upon the staple industries of the country produces a feeling of amazement at the imbecility of its authors, and of derision for the credulity of its apologists. It is not a system, but a jumble, such as one might expect to be produced by a committee composed of Mr. Pecksniff, Joseph Surface, and Mr. Micawber. The disciples of Darwin ought to be vastly interested in this evolution of a new species; it is doubtful if even they could invent a name descriptive of such a monstrosity. We propose to call it "British Free Trade," to distinguish it from the genuine article.

Its great mission is to protect the sensitive and benevolent foreigner against the machinations of the greedy Briton. Mr. Chamberlain gracefully dubbed it a system of "free imports."

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But it is not even that; if it was, we should want no Customs House. We have a Customs House system as expensive as that of any Protectionist country in the world, and our Government collects dues on imports which amount to a larger sum per head of our population than is collected by any Government in the world except that of France. France* collects 10s., Britain 9s. 9d., and the United States 8s., per head in Customs dues.

But we have so magnanimously arranged the programme that the £20,000,000 or so collected on imports is all paid by our own people, and the foreign exporter has free use of our markets without taxation of his products, *for none of the things taxed can be produced at home*; that appears to be

* "Ruin of Rural England," p. 18.

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the reason why they are taxed. Our legislators seem to have reasoned in this fashion : If we tax a home product, such as wheat, for instance, we should grow more at home and import less ; and as prices are not governed by tariffs, but by the supply of wheat being equal or unequal to the demand, it might happen that the foreigner would have to pay the duty to reach our markets, or consume his wheat himself, and that would be dreadful for the poor foreigner, who has shown us the greatest consideration by making his own tariff wall as high as he dare without running the risk of spoiling his revenue. Let us tax tea, coffee, cocoa, and tobacco, necessaries that must come through the ports ; we shall not then be accused of Protection, as the duty will be paid by the consumer, and everyone

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will pay alike, so none will have cause to grumble. It is true that if anyone gives a pauper 3d. to buy an ounce of tobacco—the only luxury the poor chap ever enjoys—we shall take 2½d. out of it, and the millionaire's cigar will be taxed in the same proportion; but why should not the pauper be fleeced to support British Free Trade as well as the millionaire? Does not Free Trade methodically reduce prices to their natural value? And does not British Free Trade raise them artificially?

Free Trade says to other countries: Abolish your Customs Houses, and I will abolish mine. British Free Trade says: Keep your Customs Houses open, and tax my products as heavily as you can without destroying your revenue; our manufacturers will

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cheerfully pay the duty, and stick to the trade as long as there is the smallest profit left. Our Customs House is only kept open for the taxation of products which our people from various causes cannot produce at home, so that you will be able to raise the price to cover the duty of every taxable article you send us. Everything else—foodstuffs and manufactured goods—that our people could grow or make for themselves will be admitted absolutely duty free, the peculiar function of British Free Trade being to enable the foreigner to undersell the home producer in his own markets; the English being a peculiar people, their industries flourish best under these conditions! That they have flourished greatly as a nation is proved by the following facts:

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1. The income tax on incomes derived from capital invested abroad has largely increased.

2. Small capitalists have accumulated money in savings-banks, because if they invested it in any home industry they would certainly lose it.

3. Large numbers of people, whose fathers lived in the villages and worked hard, having a whole cottage and garden to themselves, have now retired to the cities, where their responsibilities are very much less ; they live in one-room homes, do a little casual labour, and live on what they can catch !

Having made ourselves acquainted with the true character of British Free Trade, and outlined its method of working, we are now able to answer the question contained in this article of the creed, and our conclusions are :

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1. British Free Trade has developed the natural resources of *other* countries, but *not those of our own*.

2. It has raised the wages of the workpeople of *other* lands, but *not those of our own*.

3. It has provided employment for the workpeople of *other* nations, but *not for those of our own*.

And this is how it has been done: It has enabled the American of both North and South, and the European of warmer lands, to send us *untaxed* meat, fruit, and cereals, cheaper than the *taxed* meat, corn, and fruit could be produced at home. The natural result has followed: our corn-fields have been laid down to grass; and as twice the number of cattle can be kept on arable as on meadow land, our flocks and herds have decreased, our farmers' capital has been

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lost, many owners of land reduced to beggary, the bone and muscle of our strong race driven into the cities, where the conditions under which they are forced to live favour lethargy and despair, drunkenness and worthlessness, and they yield, in too many instances, to the influences of their environment, and become beings without morality, without a living conscience, without hope, the objects of pity and the subjects of despair.*

British Free Trade has found constant employment and increased the wages of the sugar refiners of Austria and Germany by admitting to our markets, duty free, the bounty-fed product of those countries, ruining English refiners and our sugar-producing colonies.

* "Ruin of Rural England," p. 14.

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British Free Trade has benefited the miners of Belgium by admitting duty free and carrying at a preferential railway rate iron cheaper than it could be raised at home, closing down our iron - mines and blowing out the furnaces. Numerous other industries have suffered in like manner, until British capital has been driven out of the country, and the Briton has sought in exile those means of profitably employing his capital that have been denied him at home. A correspondent of the *Birmingham Mail* wrote to that journal a few weeks ago :

“I am fairly acquainted with every mercantile town in our islands, and I know that for years past scores of the leading manufacturing firms in the cotton, jute, woollen, and carpet trades have been establishing vast works in Russia, Roumania, Austria, Saxony, and even in France ; and by the aid of the cheaper labour and longer hours which prevail abroad have undersold, have

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brought, and are still bringing, ruin to hundreds of their home competitors."

British Free Trade has enabled British railways to carry imported produce at a much lower rate than home products, adding a bounty to the profits of the foreign exporter, the Government looking on quite unconcerned, until the railway companies dominate the whole commercial position, and are quite independent of the central authority !

"What thinkest thou, Simon? Of whom do the kings of the earth take custom or tribute? of their own children or of strangers?" *Of their own children.*

"Then are the strangers free!"

Surely our statesmen have been sent a strong delusion that they should believe a lie, or public business could not have been conducted so long upon such destructive principles as these !

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But it will be urged that for the greater part of the first half of the nineteenth century wages were low, trade stagnant, and there was among the poor much misery and suffering, under a system of Protection, and that England was afterwards very prosperous for thirty years under Free Trade. That is so; but our fiscal policy was not the cause of the bad trade, low wages, and starvation, but the exhaustion of the country, and, indeed, of the whole of Europe, in the Napoleonic wars. There are many things which conduce to national prosperity besides fiscal policy, and among them peace, abundance of capital, goodwill, and mutual forbearance between masters and men, and thrift and moral fibre as the basis of character in the race.

Before the advent of steam the com-

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merce of the world was a mere bagatelle compared with what it is now, and the principal part of international exchange was among the European nations. These nations, being exhausted by war, were for many years unable either to buy from us or manufacture for themselves; but Britain recovered more quickly than any other nation from the destruction wrought by the wars which ended at Waterloo, because her soil had never been trodden by hostile armies, and there was no material damage to be made good. From Waterloo to the abolition of the Corn Laws there was constant and rapid progress under a Protective system, checked at times by temporary depressions such as Germany is now suffering from, but which only proved to be "stepping-stones to higher things," as the continued progress in

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wealth and prosperity and rapid increase of population recorded in the page of history bears witness. So rapid was the recovery from the war, and so great the advance in every branch of industry, that Alison, in his "History of Europe," wrote :

"There is, perhaps, no example in the annals of mankind of a nation having made such advances in industry, wealth, and numbers as Great Britain has made since the Peace. In the thirty years that have elapsed since the Battle of Waterloo, during which it has enjoyed—in Europe at least—almost uninterrupted peace, its population has increased more than one half, having advanced from 18,500,000 to 28,000,000; its imports have doubled, having risen from 30,000,000 to 70,000,000; its exports have more than tripled, having swelled from £42,000,000 to £130,000,000, exclusive of colonial produce; its shipping has doubled, having grown from 2,500,000 to 5,000,000 tons. . . . During the same period the agricultural industry of the country has been so far from falling short of the prodigious increase in its commercial transactions that it has signally prospered; the depen-

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dence of the nation on foreign supplies has steadily diminished, *until the grain annually imported had come* (on an average of five years ending with 1835) to be no more than a two-hundredth part in average years of the annual consumption ; and the prodigy was exhibited of a rural industry in an old State, possessing a narrow and long cultivated territory, not only keeping pace with but outstripping an increase of numbers and augmentation of food required for the purposes of luxury, unparalleled in any age" (Alison's "History of Europe," cap. xcv., 66).

The hardships of those bad times could not have been nearly as great as British Free Traders love to represent them, if during that time our population increased more rapidly than at any period of our history *either before or since*, the proportion being nearly 60 per cent. in thirty years under Protection against 40 per cent. in fifty-seven years under Free Trade.

When one reads that in 1845 this

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country was growing sufficient food to feed 27,000,000 of people, and remembers that to-day it only grows enough to feed 7,000,000, one feels inclined to long for the return of those days of self-dependence when the country was practically self-supporting, and the annual balance of our international trade was £66,000,000 in our favour instead of £179,000,000 against us.

The record of this period—1815 to 1845—should be some guide to our statesmen in the present crisis; it should be observed that while our imports more than doubled, our exports more than tripled, showing a healthy condition of progress. In the last thirty years under Free Trade, while our imports have been going up by leaps and bounds, our exports of everything but coal have remained stationary or de-

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creased. Whatever conclusions may be arrived at, the facts remain that under Protection Britain rapidly recovered from the havoc wrought by the most disastrous wars in which she had ever been engaged ; her population in a few years multiplied by one-half, and she rapidly rose to the first place among the nations in commerce and finance, to the astonishment of contemporary peoples on the other side of the Channel.

If a great captain of industry, in looking over the books of his firm, saw that in the earlier years sales of the manufactured article showed a large profit on the cost of raw material, labour, and business expenses, but that since certain changes in policy had been made gradual retrogression had set in and continued until the cost of raw material, labour, and business expenses

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far exceeded the receipts from the sale of manufactured goods, he would either go back to the old policy or put up the shutters; and the same principle which would guide a private firm in its policy is the one which should be applied to State business, otherwise the machinery will be worn out and the clock must come to a full stop. Fiscal policy is not the clock, but it is that part of the mechanism which regulates the swing of the pendulum.

Britain continued to prosper under Free Trade after the regulator had been changed, but not for that reason, but in spite of it. The Free Trade era naturally divides itself into two parts :

1. That period which elapsed between the abolition of the Corn Laws and the end of the Franco-German War.

2. From the end of the Franco-

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German War in 1871 to the present time.

Under the first period, the substitution of steam for horse and manual labour, and the adoption of numerous inventions, greatly stimulated and increased the power of manufacture, and multiplied the output in many trades; the building of railways, ships, docks, and harbours, absorbed much labour, and raised the rate of wages. British Free Trade had been inaugurated, but, like "Brer Rabbit," it was lying low, for other nations were prevented by circumstances from taking advantage of it. The establishment of Free Trade in Britain was followed by a period of devastating war, in which all the great nations of the world were engaged at one time or another during the next thirty years. A mere list of these wars is

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sufficiently striking, and every thinking man must know that they greatly retarded the industrial and commercial development of all the countries engaged in them.

The Corn Laws were abolished in 1846.

A revolution occurred in France, and spread to nearly all the countries of Europe, in 1848.

The Crimean War, involving England, France, and Russia, broke out in 1854.

The Italian War of Independence, engaging Italy, France, and Austria, in 1859.

The American Civil War, in 1861 (which lasted for four years).

The Austro-Prussian War, 1866.

The Spanish Revolution, 1868.

The Franco-German War, 1870-71.

Though Britain took part in the

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Crimean War, her commercial and manufacturing interests did *not* suffer, because no other nation or nations could take her place in supplying the markets of the world; they were for the most part without railways, ships, mills, or machinery. In all these things Britons were the pioneers of progress, and reaped a rich harvest from their enterprise. During the Civil War the American Mercantile Marine fell into British hands, and America has only recently recovered the advantageous position she held in this respect before the war.

“The years 1868 to 1874 constituted the period of the flood-tide of British prosperity. Seven-eighths of the world’s shipping was in British hands; our manufacturers were hampered with as few rivals as our shippers; trade and commerce increased by leaps and bounds, and overflowed into all parts of the world.”*

* “Ruin of Rural England,” p. 123.

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It is obvious that in consequence of the wars, and the hindrances entailed on other nations by those wars, Britain had thirty years' start of other civilized nations in the race for commercial supremacy, and that at the end of the Franco-German War she was without a rival in agriculture, commerce, or manufactures. And yet the lifetime of one generation of men has sufficed to enable America to wrench from her the leading industrial position among the nations.

The second Free Trade period—from 1871 to the present time—has been an era of peace. During the last thirty years the most civilized nations of the world have enjoyed profound peace among themselves, and British Free Trade and Protection, as rival revenue systems, have had a chance of

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being tried on terms of equality. Observers cannot have failed to perceive :

1. How rapidly Protectionist countries have recovered from the effects of their disastrous wars ; that their tariffs have been a real help and protection to native industries, stimulating home production, employing their people, raising wages, and cheapening the cost of living. That in all these countries populations have increased, and, with the larger demand for food, land has been better cultivated, and land values have enormously appreciated.

2. That in Britain, the only country in the world which admits the products of other countries free of duty, while allowing them to tax her exports, the population during the period has increased 40 per cent., but land values

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have decreased from 50 to 75 per cent. ; and that the output per head of her population from her soil, her mills, and her mines has wonderfully diminished when compared with thirty years ago. It is the first time in history that other commercial nations have been able to measure themselves against the skill and enterprise of Britain, undisturbed by war, and seeing that they commenced the period with every disadvantage, as the world's capital, trade, and commercial prestige were all in British hands, it is marvellous to contemplate how much they have been able to wrest from her, and their success will convince every man willing to be convinced that there is something wrong with the mechanism that regulates the British commercial clock : the pendulum swings in favour of Britain's rivals.

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There can be no doubt that in the struggle for commercial supremacy Protection has proved a far more powerful weapon in the hands of Germany and America than British Free Trade has in the hands of England.

The British jumble of fiscal expedients is for ever discredited in the eyes of the world. The premise that a policy which destroys or cripples one industry after another finds for workpeople constant employment and raises wages is absurd, and is not honestly discussed by intelligent business men. Self-interest is at the bottom of the whole argument; working-men are duped by specious reasoning, and fall willingly into the net that is laid for them.

Under Article IV. of the Creed we shall endeavour to reveal the secret cause of this great imposture called

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British Free Trade being so long allowed to despoil the British people. For the information of working-men we may add that, "according to Mulhall,* the relative increase of wages for day labour between the years 1835-40 and 1880 has been as follows: England, 50 per cent.; France, 66 per cent.; Germany, 125 per cent.; Holland and Belgium, 122 per cent.; and the United States, 57 per cent." Wages in the States have greatly advanced with the prosperity of the country since 1880, and at the present time the pay of both skilled and unskilled labour averages about double the wages now paid in England.

* "Our Empire under Protection," Molesworth, p. 79.

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IV

Is it True that Imports from other Countries are Paid for by Exports from our own ?

MR. S. J. CHAPMAN, who is supposed to be an authority, answering the question whether exports pay for imports, says* they indubitably do, but does not offer any evidence to show how it is done. Some British Free Trade orators, however, have volunteered to explain the mystery. Lord Burghclere, speaking at Wisbech on June 22 last, is reported to have made use of these remarkable words :

“One of the commonest arguments used was that this country exported much less than it imported. In 1902 the excess of the imports

* *Daily Mail*, June 30, 1903.

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was something like £179,000,000; and their Protectionist friends had been accustomed to say what a terrible state of things, and that they were living on their capital, and spent more money than they earned. . . . The question had, however, been answered in the House of Lords the previous night. The Duke of Devonshire, in answer to the question from Lord Goschen, had distinctly stated that, in the opinion of the Board of Trade, the excess was accounted for, as Free Traders always said it would be, by the profits of British fishing, in insurance, and the interest on their foreign investments, which would not be included in the value of its exports. If they allowed for these, not only were exports and imports about the same, but, if anything, the balance was on the other side. That had pricked the bubble of many of their friends.”*

This explanation is certainly very lucid. It is like the little book which the prophet ate. As you roll it over in your mouth it is as sweet as honey; but when you have swallowed and tried to

* Supplement to *Wisbech Advertiser*, July 22, 1903.

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digest it, it makes your belly very bitter. Reduced to a literal business transaction, it means this: You write to a firm in Chicago and ask if it will take £100 worth of your manufactures. It replies: "Yes, if you will take £60 worth of our own and £150 worth of wheat." You reply that you cannot very well do that, as you have a farm of your own, and the time will come when, on this basis, you will be unable to pay the balance, and must discontinue trading. The firm returns for answer that "it understands that you have some shares in a fishing-smack at Yarmouth and also in an insurance company at New York, and some Indian railway stock, and if you will lay your farm down to grass and spend your income from all sources, you will be able to manage it!"

Can anyone imagine a statesman like

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the Duke of Devonshire (for half a century regarded as one of the pillars of the State), asked to explain the apparently fallacious principles on which his fiscal policy is based, the economic effects of which are so important to the nation, being reduced to a more beggarly shift in giving a reason for the faith that is in him ?

Profits on fishing are exports, forsooth !

Moneys received for insurance are exports ! (And policies when paid are imports, we suppose.)

Interest received for foreign investments are exports !

It is clear the Duke's education has been neglected. And yet the ridiculous situation cannot be explained in any other way. If our fathers had not saved a heap of money out of very profitable

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business and invested it abroad, the country could not long stand the tremendous leakage caused by British Free Trade.

The Duke of Manchester* recently drew attention to the state of trade between Britain and America in 1901. In that year Britain took from the United States food and raw material of the value of £128,000,000, and manufactured goods of the value of £12,000,000, while the States took from us manufactured goods of the value of £18,000,000 only ! In the face of such figures as these, taken from the Board of Trade returns, the contention that our imports are paid for by our exports is preposterous. The very clever gentlemen who can prove that they are ought to receive a handsome pension from the State, and

* *Morning Post*, June 22, 1903.

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spend the remainder of their lives extracting sunbeams from cucumbers.

The Duke's statement, and Lord Burghclere's argument based upon it, only emphasize the fact that we have insisted upon in "**The Ruin of Rural England**," that our fiscal system and railway policy, initiated under very different conditions to those now prevailing, *are continued and worked together*, not with the view of stimulating home industries and making the country as far as possible self-supporting, but *in the interest of capital invested abroad*.

To thoroughly understand the significance of this fact we must go back to the time of the Franco-German War, when England dominated the commercial world.* Then England was indeed rich. All the world's gold came to

* "Ruin of Rural England," p. 124.

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London, and all the world came to London for gold. The national wealth was not only abundant, but varied; the country was not only rich in gold, iron, and coal, but in those forms of wealth, the products of its own soil—corn, cattle, sheep, and horses—which make a nation self-supporting, independent, and invincible. Gold flowed in from all quarters much faster than it could be profitably invested at home. Other countries which had no railways, ships, or factories, began to borrow it on the security of undeveloped resources. By this means vast tracts of the waste places of the world passed into British hands. Foreign Governments were asked to build railways and take a hand in developing their own natural resources. They one and all discovered that they could be very useful in that line—could, in fact,

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use very large sums of money themselves to mutual advantage.

John Bull was in a cheerful mood, and emptied his capacious pockets into the laps of all who came, assured that his world-wide trade would soon refill them ; but as John grew rich he got careless, and allowed those who had borrowed his money to steal a march on him. The foreign Governments did not develop their natural resources exactly on the lines that John expected. They used his money to start factories for themselves. They knew that for some time they could not supply their own needs, but they saw that by putting a fairly high tariff on imports they could regulate prices in their own markets, securing the success of their own ventures, and at the same time make John pay back in tariffs what they paid him in

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interest on borrowed capital. They were not afraid of John closing his ports or making it difficult to reach his markets by retaliatory tariffs, because they could only pay interest on capital in kind, and John must either receive it in the form of food and raw material or lose his money. In other words, John was fool enough to lend capital to his rivals to start in business against him, practically without any security. He let them go their own way, and regarded them with too much contempt to interfere. Had he been careful of his own interests he would have beaten down their tariff walls with countervailing duties. These tariff walls rather amused him. When his children complained, he said, "Never mind; fight high tariffs with free imports." They did; it was like fighting breech-loaders with bows and arrows,

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and with the same result. Foreign corn and meat poured through free ports into British markets in payment of interest on borrowed capital, and gave the death-blow to British agriculture. British iron went into the States in ever decreasing quantities over high tariff walls, the duty being paid by the British manufacturer.

“The manager of the Barrow Steel Company stated, in evidence before the Royal Commission on Trade Depression, that in one year (1884) his company had paid £160,000 to the United States !”*

But much of the capital invested in foreign railways, mines, and lands was for a long time (notwithstanding that the whole industrial position in England was sacrificed for its benefit) unre-

* “Our Empire under Protection,” Molesworth, p. 93.

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munerative. An examination of the *Stock Exchange Year Book* for 1901 revealed the stupendous fact that out of £471,000,000 invested in foreign, Indian, and colonial railways, £126,000,000 was paying no dividend at all; on the remaining £345,000,000 dividends were being paid varying from 1 to 5 per cent., but much of this capital was only paying a small and precarious dividend, in many cases under Government guarantee, which will cease in a few years, and the prospect is that the companies will then become insolvent. It is computed that some 20,000,000 acres of land in the United States are owned by Englishmen, very much of it by powerful noblemen, belonging mostly to ruling houses in Great Britain; their British possessions *in area* will not compare with these, and relatively they are of little

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importance. One can understand that these Parliamentarians would rather see their English estates degenerate into rabbit-warrens than see an import duty on foreign corn and meat, or the preferential duty in favour of foreign produce abolished. During the great depression in trade and agriculture which afflicted the country in the seventies and eighties, many of those who had invested money in foreign enterprises, finding it paid no dividends, were anxious to realize; financial syndicates were formed to buy these people out, and much of the stock has passed into the hands of powerful financial companies operating upon the Stock Exchanges of Europe and America, and herein lies the crux of the whole question.

Foreign Governments cannot pay interest on the huge sums they have

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borrowed unless their countries are prosperous, so that they can collect taxes ; foreign railways can pay no dividend unless the cultivation of vast tracts of land through which they pass provides them with traffic. Taxes, traffic, prosperity, all depend upon the cultivation of the land, and the cultivation of the land depends upon finding a market for the produce. Britain is the only free market, the only dumping-ground for these vast enterprises, in which the plutocrats of all nations are interested. Two things are necessary to them—*free ports* for the admission of foreign products, and *preferential rates* for their produce over British railways. The first has been secured through British Free Trade, the second through the purchase of sufficient railway stock to enable them to control the

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lines. And as the central authority has ceased to enforce the conditions under which the companies hold their charters, but have allowed them to become a law unto themselves, it follows that the British people are the victims of a vast conspiracy of cosmopolitan capitalists, who have used our fallacious fiscal system and foolish railway methods as a means of transferring the wealth of these islands to their own pockets. Many of them have residences in England, and find, in more senses than one, that this country is a happy hunting-ground for cosmopolitan guinea-pigs; here they are in the best position for feeling the pulses of the market: they are free from Government suspicion, espionage, or control. It is nothing to them that our iron furnaces are blown out, agriculture ruined, and numerous

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industries stagnant and unprofitable; that working-men are on half-time or out of work, villages depopulated, towns overcrowded, and 40,000,000 of people dependent on other countries for their daily bread. If trouble comes it will not touch them; they will simply take themselves to other shores, where their capital is invested, and where it will no longer be assessed to income tax by the British Government. In the meantime they sit in the British Parliament, and clog the wheels of the rusty old machine if it shows any signs of moving in opposition to their interests. A British Government is proverbially supine, and during the last thirty years has seen its people slowly strangled by this plutocracy without even blinking its eyes, until the Colonial Secretary made a ripple in the waters by throwing in a

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most timely stone. Since then the waters have been greatly agitated, but the international Nabobs who sit there are not much alarmed; they know the respect of the House of Commons for 10 per cent., and that nothing else is likely to move the present House individually or collectively.

V

Is it True that Import Duties are always Paid by the Consumer?

It is if the goods on which the duty is levied *cannot* be produced at home. As an example, we may take tea, a foreign product of general consumption in England, and on the importation of which a tariff of 6d. per pound is imposed. As tea cannot be grown in England, the consumer must obtain his

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supplies through the ports, and tea is therefore 6d. per pound more to the consumer than it would be if no duty were levied upon it.

But if we tax imported wheat, it does not follow that the duty is paid by the consumer, because wheat can be and is produced at home, and there is no duty on the home product. At the beginning of the nineteenth century, when our farmers had no machinery, and very few of the fertilizers now at their command, this country produced 20,000,000 quarters of wheat annually. It now averages only 5,000,000 quarters. Why? Because the untaxed wheat, being imported free, has lowered the price in years of overproduction to such an extent, and made the markets so irregular and unreliable, that the heavily taxed British farmer is afraid to grow

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it. If he could rely on 35s. to 40s. per quarter, the production of wheat in England would soon return to normal averages in prosperous times; but in 1894 the price fell to 17s. 6d., and rose in 1898 to 57s. 6d. per quarter. In the former year the farmer was sorry that he grew so much wheat; in the latter, that he had so little to sell. If there had been a duty on the imported article to steady the price midway between these two extremes, he would have been more prosperous, the average price of bread would have been about the same, and the country itself would have been far better off. The mean between the two extremes is 37s. 6d.; at this price British farmers would turn out 15,000,000 quarters of wheat annually, and as we require about 25,000,000 quarters for our consumption, we should then be importing

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10,000,000 instead of 20,000,000 quarters, as at present. The effect of this would be that British farmers would be growing a remunerative crop, for which they would receive £17,500,000 annually beyond what they now grow, and that £17,500,000 would be kept in the country, stimulating its various industries, instead of being spent in the purchase of food abroad. We do not believe that the average price of bread would be higher than it is now. Other countries would not cease to grow wheat because England grew 15,000,000 instead of 5,000,000 quarters; they would be just as anxious to supply our markets as they are now; they could not eat their wheat, and must sell it; they would do what the British iron manufacturers did while the United States were working up their industry—*pay the*

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duty to get in, as long as there was any profit left on production. As prices are regulated by supply and demand, not by tariffs, the home-grown would compete with the imported wheat and depress values.

We may observe here that tariffs can only affect prices by limiting the supply, and the supply can only be limited by tariffs when a country is dependent on foreign production; *therefore, if a country does produce sufficient for its own consumption, tariffs do not raise prices.* Hence, it follows that to flood our markets with corn, meat, fruit, iron, refined sugar, and articles of foreign manufacture, that are neither taxed here nor in the country of origin, to compete with our own heavily taxed products, is a policy of industrial suicide, which, if continued long enough, must

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end in national disaster. Other countries do not pursue that policy. The Government of the United States says to its people: We have 80,000,000 of people here; our markets are reserved for their benefit up to a point that will leave plenty of scope for the profitable employment of capital and the encouragement of enterprise; if others come into our markets, they must come over high tariff walls, and the imposts upon their goods will be used to lighten the taxation of our own industries. If the British Free Traders' contention that import duties are always paid by the consumer were correct, tariff walls would make no difference to the exporter's trade; he would simply raise the price to the consumer to cover the duty. But this cannot be done when the country importing can produce the goods for

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itself. Did the Barrow Steel Company raise its price to cover the duty of £160,000 which it paid in 1884 to the United States Government? Certainly not, nor has any other British manufacturer been able to do so when exporting to a country that could produce the goods itself. This was all proved up to the hilt before the Royal Commission on Trade Depression that sat in 1885.

Future historians will marvel that such a policy could have been pursued for thirty years after the effect of its operation was visible to every thinking man and to every man whose powers of observation were not paralyzed by self-interest, and that the only thing done in this matter by successive Governments and Parliaments was to conceal the truth as long as possible from the people.

Why, then, has the truth been so long

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concealed? Because there are so many interested in concealing it.

On July 17 of the present year there appeared in the *Morning Post* a letter from Lord Stanley of Alderley, in which he said :

“ Though I never was a Free Trader, owing to having known too much of the inner motives and objects of Manchester, and though the results of the free importations of wheat have been more disastrous to British agriculture than Mr. Cobden anticipated, yet I am convinced that it is too late to reverse what was begun in 1846, and that to raise the price of bread and other food by taxation would be impossible without stirring up ill-will and strife and reviving socialism.”

This paragraph in Lord Stanley's letter will deceive no one who understands the question. Why this nobleman's sudden yearning for the peace, contentment, and well-being of the working-man? Is it for this he deprecates a renunciation of British

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Free Trade, in which he does not believe, for Protection, in which he does believe? Is it not rather that his interests are now on the side of the plutocracy, and not on the side of the British nation?

Thirty years ago the aristocracy of wealth came to the conclusion that, for good or ill, British Free Trade was the settled fiscal policy of this country, accepted by both political parties, and unalterable; and as the fallacy of its principles dawned upon them, they began to adapt themselves and their interests to the changed circumstances; when their capital was found to be unprofitably employed at home, it was withdrawn, and invested where it was more profitably employed abroad. Capital knows no country, and will always migrate to those lands where it can be most profitably used.

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It is doing very well abroad to-day, as the income tax returns prove, and will continue to do well so long as the peace of the world is preserved, and English working-men can be persuaded to believe that their sole duty is to consider themselves, and their interest is to purchase all necessary things cheaper than they can be produced at home, although artificial cheapness may ruin their employers and displace their own labour. The plutocracy preach self-interest to the working-man; it is the way of the world—rich men push their own greed by appealing to the selfishness of the working class. They know that at heart the workman is just as selfish as they are themselves, but they know also that his horizon is narrow, and that he is not tall enough to see over the fence.

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The effect of British Free Trade upon the fortunes of British workmen could best be brought home to them, perhaps, by a parable: A married man with a small family was engaged as foreman in a hosiery factory at Nottingham at a wage of £2 per week; he found that he could buy the best bread, English meat, butter, and eggs, and furnish his cottage with English products generally, and live on 35s. per week, saving 5s. out of the weekly wage for his own use. But his wife, being thrifty, discovered that by buying American meat, Danish butter, Italian eggs, French fruit, German tinware, American iron goods for her household, and manufactured goods of foreign make for general use, they could live on 27s. 6d. per week, saving another 7s. 6d. out of the weekly wage. They were immensely pleased, and did

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very well for a time, until one day his master called him into the office and said: "You have been with us some time now, and we are very well satisfied with your work, but the Yankees have dumped down such a lot of cheap hosiery on our market that our profits have disappeared, and we must cut down expenses or close the doors, and we have decided to cut down expenses first. We can now only give you 30s. per week, or part with you; if trade should improve, we shall be pleased to raise your wages again if you remain with us." The foreman regretfully accepted the lower wage, not feeling very grateful to British Free Trade for allowing America to dump down its untaxed hosiery on our markets, and also dump down wages at the same time. Until now he had never reflected

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that the cheap, untaxed foreign goods on which he and others lived had depressed trade and lowered the wages of his fellow-workmen in other callings in exactly the same way. He knew now that he might go on living on foreign produce, but he would be a little worse off than he would have been consuming superior English products at a higher wage. He also knew that if a 10 per cent. *ad valorem* duty had been imposed on imported hosiery, it would not have destroyed American competition, but the American must have paid the duty before he could have reached British markets, and that the impost would have been quite fair, for the American would then only be paying to the British Government about the same amount of taxation as his master paid for the privilege of being allowed to manufac-

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ture and sell in British markets ; and, both being equally taxed, the home and foreign competitors would neither be able to sell below the cost of production. His interest was now thoroughly awakened, and, being an intelligent man, it dawned upon him that it was a bad thing for working-men generally that the products of our staple industries should be imported and sold to the consumer below the cost of home production, and that it was manifestly unfair that the home product should be heavily taxed in all sorts of ways, while the foreign article was not taxed at all, either in this country or the country of origin. A system that destroyed industries must ruin employers, and a system that ruined employers must displace labour and reduce wages, and drive capital out of the country. Thinking

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out the subject further, he saw that prices and profits are fixed by competition, and wages are regulated partly by the margin of profits, and partly by the supply of labour on which the employer is able to draw; that a prosperous business attracts capital, and invites competition, absorbing the labour supply, and so increasing the rate of wages. It was also obvious that all taxes on industry are paid by the working classes, especially when free imports compete with home products, lowering prices and narrowing the margin of profits. If an employer is paying 5 per cent. income tax out of his diminished profits, it adds 5 per cent. more to the working expenses of his business, and he cuts down wages 5 per cent. accordingly, especially if men are plentiful and working short time.

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Pursuing this train of thought, it struck this foreman that the policy of trades unions in the past had been absurd—that they might as well try to lower the price of bread by a strike as to think they could raise the rate of wages permanently by the same means. They may sometimes temporarily squeeze the masters; but if squeezing them lessens the masters' power to compete with the rest of the world, and drives away capital, the reaction will hurt the men as much as the squeezing has hurt the masters, and the men at length are forced to accept a lower wage than before the strike. Four things are now vividly impressed upon that workman's mind:

1. All taxes on industry are paid out of workmen's wages, the workman accepting a lower wage than he would be entitled to if the tax did not exist.

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Therefore his astute friend the capitalist has given him a cheap loaf at his own expense. And as Britain taxes her own children and lets the stranger in free, and her Government looks on perfectly unconcerned while other nations tax her exports instead of their own industries, British working-men are paying the taxes of other countries as well as those of their own.

2. The way to reduce wages and destroy home industries is to supply the consumer with foreign goods cheaper than they can be produced at home.

3. The duty imposed on goods that might be produced at home is not paid by the consumer, but by the manufacturer, *unless capital is dead and enterprise extinct in the country importing the goods.*

4. The duty paid on imported food

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and raw material *that cannot be produced at home* is paid by the consumer, and in taxing tea, sugar, cocoa, coffee, and tobacco, the Briton is taxing himself.

VI

Is it True that the Test of National Prosperity is to add together the Value of your Imports and Exports, and ascertain the Total Value of your Trade?

THE Cobdenite who added this article to the British Free Trade creed was either ignorant of all business principles, or thought the British workman might be bluffed into believing anything, however absurd, if it was only strenuously asserted and backed with sufficient audacity—or we might say impudence,

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for *ab initio* the fraud is too palpable to deceive any but the most ignorant.

Imports are what we as a nation buy from other nations, exports what we sell to them, and the teaching of this doctrine is that the test of prosperity is to add together the figures representing the value of what we buy and what we sell, and ascertain the total volume. If the volume is increasing we are prosperous, if it is diminishing we are losing our trade. It does not matter whether the total volume represents receipts or expenditure, but the larger the relative expenditure, the greater the proof of prosperity.

Most business men keep an account of their expenses in one book and receipts in another, and at the end of each year ascertain whether they are prosperous or not by deducting expenses from re-

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ceipts and showing the net profit. Not so the British Free Trader. He adds both sums together to see whether the volume is increasing or not.

Let us try to reduce this proposition to a business transaction :

A Northampton boot manufacturer went to his banker and said :

“I want a little more capital for working my business. I own the factory in Nene Street, and shall be pleased to deposit the title-deeds as security for a loan of £1,000.”

“Yes,” said the banker, “we can do that for you if you can show that your business is prosperous. What were the results of the last two years’ trading?”

“The results were :

Expenditure.					Receipts.		
1901,	£5,150	0	0	...	£5,920	6	4
1902,	£5,601	11	0	...	£5,860	0	0

Stock at end of both years about the same.”

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"Your business has gone back the last year," said the banker.

"No ; I think the volume of trade has increased."

"Yes ; but it is your expenditure that has increased, and your receipts have not kept pace with it."

"That is so ; but the volume of trade is the important matter."

The banker shook his head.

"How do you account for the increased expenditure with falling receipts ?"

"Raw material is a little dearer."

"Yes ; and wages ?"

"We have reduced them a little the last two months."

"But your home trade has fallen off."

"No ; we have sold just as many boots, but America has dumped down a

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lot of surplus stocks on our markets, and we had to reduce prices to meet the competition."

"Then why did you not export more to the States?"

"We have sent about the same quantity, but at lower prices."

"Why? The tariff was the same, and that, you know, is paid by the consumer."

"Yes, on tea, but not on boots."

"How is that?"

"Well, if I was exporting tea I could raise the price to cover the duty, because America does not grow tea; but America does manufacture boots, and if we send to her market we cannot raise the price, and the duty falls on us."

"I am afraid my directors would not sanction the loan with such a prospect," said the banker.

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“Not if I can keep up the volume of trade?”

“We might, perhaps, if you transferred your factory to the United States.”

This is how the preposterous proposition works out on a small scale, and it can be easily perceived how disastrous the principle must be when it becomes the corner-stone of a nation's fiscal policy, causing in its international trade a debit balance of £179,000,000 in one year. This debit balance has been growing in volume year by year, and it proves, not that the British nation is prosperous, but that the plutocrats who live in England, and whose capital is abroad, are doing very well.

Perhaps the plutocracy has persuaded itself that it is the British nation, and that others do not count. British states-

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men for the last thirty years appear also to have taken this view, and, whether they are conscious of it or not, have placed in the hands of their enemies a terrible weapon, which will enable them to accomplish by subtlety what they have never been able to do by war—wreck the British power.

VII

Is it True that if your Imports are
Increasing it is a Proof that you
are Growing Richer?

IN other words, if you see a man spending a great deal of money, and much of it in a wasteful and unnecessary manner, is that a proof that he is every day getting better off? Ask your banker, and he will tell you: “No; it

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only shows that the man has money to spend, and the probability is that, instead of getting richer, he is getting a good deal poorer. For it is all too evident that he does not know the value of money, nor is he able to appreciate the fortunate position in which he has been placed by the wealth made by his forefathers."

Every British Free Trader will admit, if you put the question to him, that this country could not long stand the drain of that annual debit balance of £179,000,000 on its international trading were it not for the interest on borrowed capital and the dividends on numerous foreign stocks held by residents in this country, which constantly flow into our coffers; in other words, masses of food products and manufactured goods to the extent of £120,000,000 at least are sent

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to us annually in payment of interest on foreign investments.

The Chancellor of the Exchequer is, of course, satisfied that Britain is richer; the plutocrats who own the foreign capital are increasing in wealth, and those who have domiciles in England pay income tax on their incomes; but that wealth is British only so long as they choose to reside in England.

VIII

Conclusion

DESTRUCTIVE criticism is proverbially easy; it is much less difficult to point out the faults in our present revenue system, to show that it is rotten in its construction and ruinous in its operation, than to point the way to a sub-

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stitute for it that would in its working assist the nation to develop its resources, and at the same time conserve its wealth, binding in common bonds of commercial brotherhood the many provinces of the Empire. But we should perform the task we have set ourselves very feebly if we were only able to examine and expose the fallacies on which British Free Trade is built, and unable to bring out in strong contrast sound economic principles on which a far better system may be built up. A grasp of the facts puts us in possession of definite views concerning the object which we ought to aim at, and a sight of the goal should fire us with a determination to put forth the most strenuous efforts to reach it. The good we have in view is the prosperity of the home-land and the unity of the Empire; the latter object cannot

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be attained without the former. Enfeeble the home-land and you afflict the heart of the Empire with atrophy ; atrophize the heart and you enfeeble the whole body, and this nation will become as a tree that has wasted and withered and been cut down, and from whose roots many young shoots have sprung up.

It was not feebleness, but intensity and elasticity, a feeling of want of room for the exercise of potent energy, that made this country a colonising power. And what was the source of that energy ? A sense of independence engendered by the development of its natural wealth, agricultural and mineral ; self-sustenance inspired self-reliance, and augmented capital, and a knowledge of how to use it, gave an impulse of a great and noble destiny, making Britons the pioneers of

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the arts and sciences, trade and commerce, the champions of freedom, and the apostles of peace all the world over.

But how are the mighty fallen ! The plutocrats of all nations — Germans, Greeks, Jews, Latins, and Americans — have used that miserable weapon, British Free Trade, to drive capital from its natural anchorage in this land of freedom, and have drifted it on to other shores, destroying the fulcrum and diverting the lever on which has been raised the colossal edifice of British power. The effect is seen everywhere in national disintegration and decay. In 1845 we produced at home sufficient food to sustain more than 27,000,000 of people. In 1902 we produced sufficient to feed 7,000,000 only, importing all the rest !

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In 1870 we stood at the head of the world without a rival in agriculture, trade, and commerce; in 1903 we are sending out commissions like that of Mr. Mosely to inquire of the much-despised Protectionist of a generation ago what is the matter with our wealth-producing machine, and shutting our eyes to the fact that we have loaded it with taxation with one hand and closed the market—and that our own—with the other.

In 1870, 50 per cent. of our population were living in the villages, the healthiest, strongest, possessed of the best muscular and moral fibre of any race in the world, fit to go anywhere or do anything; now the villages are stocked with 23 per cent. of the older and less virile of this generation, our brains and muscle have gone to other

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lands along with our money, and we have crowded 77 per cent. of our population into urban areas, where the spirit of enterprise is crushed out of them, all power to rise in the social scale taken away, a premium put on idleness and pauperism, and where the very best has been done to impress upon the working class that only a scanty pittance can be gained by industry, economy, and thrift, and that if they only go the right way about it, they can live just as well on idleness, scheming, and fraud. The motto is: "Those who will work may work, and those who will not will be coddled."

We have bartered our strength for feebleness, our wealth for poverty, resoluteness for laxity in business and in morals, and we have in consequence a degenerate Parliament, a demoralized

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democracy, and an inferior army, deficient in stamina and physique.

The deterioration wrought in the national fortunes and in the national character force upon the student of economic science two well-grounded conclusions :

1. That untaxed imports cannot be allowed to freely compete with heavily taxed home products in our own markets, so that the consumer is supplied with goods more cheaply than they can be produced at home, without destroying the industry producing those goods.

2. If home industries are rendered unprofitable or destroyed, great moral and physical degradation of the people must follow. Initiative and enterprise die in such an unfruitful soil. When men feel that industry and economy cannot help

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them to rise into a higher social position than they were born into, that their industries offer them no future, they become careless, listless, indifferent, without incentive to labour, and many fall victims to temptation, and try to obtain by deceit and fraud, by illicit commissions and gambling, what is denied as the reward of energetic enterprise.

The moral degradation following upon financial loss and industrial disintegration, resulting from the practice of British Free Trade, are visible to all who do not wilfully close their eyes to the facts; and the folly of the Government is only equalled by those exponents of Trade Unionism who endeavour to limit the production of labour per unit as a means of finding employment for a larger number of men, forgetting that in

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the long-run the level of wages must sink to a figure commensurate with the value of the work done.

We have now an opportunity of reversing the evil policy of the past; "let the dead past bury its dead," and let the living nation step forward with confidence to a better future, profiting by experience, and inaugurating a new era of peace and goodwill between masters and men, assured that the best interests of both will be compassed by loyally working together for the advancement of home industries, knowing that successful business is a better stimulant to enterprise than technical education, and development of industrial prosperity that absorbs labour the only highroad to constant employment and good wages.

Material prosperity depends in a great degree on moral attainment; but men

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cannot live above their environment, and we must create a purer atmosphere that we may rise once more to the higher moral standards of the past.

We have had war between foreign invested capital and capital invested at home, war between masters and men, a struggle between many interests to get the best of one another; let us try to establish our industrial and commercial system on principles of equal justice for all, with the view of advancing the happiness of all Britons and cementing the bonds of Empire.

How is this to be done? What fiscal policy will best advance the industrial and commercial prosperity of the nation, bind to the mother country and develop the distant provinces of the Empire?

Our conclusions are :

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1. That no tax is justifiable except for revenue purposes.

2. No tax should be levied on articles of general consumption or raw material used in manufactures *that cannot be produced at home*. By such a tariff the exporter cannot be made to pay a share of British taxation for the use of British markets; he simply raises the price of his goods to cover the duty. The tax, therefore, now imposed on such articles of diet as tea, coffee, sugar, cocoa, should be remitted altogether, and the duty might be reduced on such a poor man's luxury as tobacco.

3. An import duty should be imposed on all foreign and colonial products that compete with home industries, at least equal to the taxation borne by the home producer. Taking this as a bed-rock principle, a higher duty could be

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put on foreign than on colonial imports, and tariffs could be varied for reasons of State, so as to give the colonies a preference, and could be used as an instrument of defence for the colonies, or for negotiation of treaties with foreign Powers.

In some quarters there will be a great objection to the taxation of colonial food products, but it must be remembered that British farmers are heavily taxed for the privilege of farming British land and selling in British markets, and it is unreasonable to expect that the heavily taxed home product can long compete with the untaxed imports from the colonies, especially as New Zealand and Canada are nearer the London markets as regards freights than the counties of Norfolk and Lincoln; for a sheep is brought from New Zealand for $4\frac{1}{2}$ d.,

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and a quarter of wheat from Canada for 1s. Moreover, if colonial produce is not taxed on making the change, it will be difficult to tax it afterwards, should the necessity arise, without giving grave offence.

The colonies themselves do not allow British exporters to use their markets without paying a portion of their taxation, in the form of import dues, for the privilege of doing so, and in acting upon this principle they are but guarding the interests of those colonists who may compete with the mother country in manufacturing for themselves.

4. Bounties given by other countries on exports to British markets should be promptly met by countervailing duties equal to the bounties given by the exporting countries. This provision is

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necessary to prevent the contravention of Conclusion 3 by foreign Powers.

We know not how far these proposals fit in with Mr. Chamberlain's ideas, but such a system would have the advantage of simplicity, and would secure equality of opportunity for the British farmer and manufacturer in his own markets, and bring us very much nearer genuine Free Trade than the worn-out fiscal expedient now in operation. Under it imported foods of foreign origin *not* competing with home productions will be untaxed, and the price reduced to the consumer.

The taxation of home products being the basis of taxation imposed on competing imports from the colonies, an *ad valorem* duty could be added to the tax fixed on this basis for imports from foreign countries, and prices to the con-

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sumer will only be raised where current rates are unremunerative to the home manufacturer.

Mr. Chamberlain has earned the gratitude of the country by taking a step which so many saw to be necessary, but which no one else had the courage to take. He has approached the subject with great caution, tact, and discretion, and has so far made no false move, unless the suggestion that Old-Age Pensions for the poor may be a possible outcome of the change be regarded as one. He has staked upon the issue a great political reputation, built up by many years of devoted service to his country. As Secretary of State for the Colonies, having held the office longer and with greater efficiency than any predecessor, he knows more about the relations of the colonies with the mother

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country than any other living man, and when he tells us that some stronger bond of union than exists to-day is necessary to prevent the disintegration of the Empire, it is an opinion that cannot be lightly dismissed.

Mr. Chamberlain is before all things a statesman of Imperial mind, and has doubtless been drawn to consider fiscal policy as a means of drawing together in federated union the numerous provinces of the Empire. But when he spoke for the first time on this question at Birmingham, we think he had not realized the great debasement wrought upon the people at home by the operation of British Free Trade; but further consideration and inquiry have convinced him that fiscal reform is needed by the mother country, and that on that ground alone the demand of the colonies is just

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and reasonable in the best interests of the Empire.

Even Sir W. V. Harcourt agrees that the great iron, textile, and agricultural industries have largely suffered by foreign competition—the latter most of all—and declares that it would be unjust to protect iron and textile trades without protecting agriculture, “the largest and most costly of all the industries of the country,” and further contends that a general protective tariff, including a tax upon food, is an operation which no majority of the House of Commons could accomplish. But if Sir W. V. Harcourt is logical, he must admit that all food produced at home is heavily taxed, through the heavy taxation imposed on the land which produces it; that it is competition between the untaxed foreign and the heavily taxed

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home product that has wrought the havoc in the agricultural, textile, and iron industries ; and, further, the diminished prosperity must have displaced labour, and the displacement of labour must have increased the supply and reduced wages in many trades.

But as an apostle of British Free Trade Sir William must believe that it is by these processes the British nation prospers ; *ergo*, the British nation must be that small class of plutocrats whose money is invested abroad, not the millions who live on these islands ! He has no objection to the taxation of imported food so long as it is only those articles of diet which the British workman, from climatic causes, *cannot* produce at home, neither does he object to the taxation of food for which the British workman has received wages. It is only

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on food that the British workman has *not* produced, but *might* have produced, for which he has *not* received, but might have received, wages, that Sir William objects to taxation. It would not be in accordance with cultured etiquette to ask Sir William where his money is invested.

Mr. Chamberlain's action has brought to the front the whole question of fiscal reform, and nothing but good can come out of the conflict of opposing interests which will be fought out in the constituencies. Controversy will let in a flood of light upon our industrial and commercial methods, and the relations that should exist between Britain and the many provinces of her colonial Empire.

If Britain is to continue at the head of the Saxon peoples her agriculture

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and manufactures must be restored to their former prosperity; the fires of patriotism will not burn in the breasts of a nation of serfs. An Imperial race cannot be reared in the slums of our cities. An army of vagabonds cannot defend an Empire.

Is Britain prepared to courageously face the future which Destiny appears to have marked out for her as the head of a great Anglo-Saxon Empire, or is she about to sink into the insignificance of Spain? If Britain decays, many of the colonies are too weak to stand alone against the great military empires; they must federate. If Britain refuses to advance at their head, they must still federate, and self-preservation will compel them to federate under the leadership of the strongest member of the Confederacy.

Examined and Exposed

If Britons are weary of the burdens of Empire, then the Western Titan is ready to take them over, and the capital of the great Saxon Empire that is to be will not be London, but Washington.

THE END

BY THE SAME AUTHOR

*The Ruin of Rural
England*

LONDON : SIMPKIN, MARSHALL, HAMILTON, KENT & CO., LTD.

Price 3s. 6d., *net*